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In the Matter of:	:
	:
PROPOSED ACQUISITION OF CONTROL OF:	:
	:
CIGNA LIFE INSURANCE COMPANY,	:
a Connecticut insurance company	:
	:
by	:
	:
PRUDENTIAL FINANCIAL, INC., a New Jersey	:
corporation; and THE PRUDENTIAL INSURANCE COMPANY :	:
OF AMERICA, a New Jersey insurance company	:
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Docket No.
EX 04-17

ORDER

I, Susan F. Cogswell, Insurance Commissioner of the State of Connecticut, having read the record of the above captioned matter, do hereby adopt the findings and recommendation of Louis J. Scotti, Hearing Officer, which are contained in the attached Proposed Final Decision, dated March 22, 2004; and issue the following orders, TO WIT:


1. All terms contained in this Order shall have the same meaning as set forth in the Proposed Final Decision.
2. The Form A Application of the Applicants in which they seek approval to acquire control of Insurer is hereby approved.
3. The Applicants and Insurer shall comply with their commitments as set forth in the Proposed Final Decision and their letter dated March 2, 2004 to the Insurance Commissioner.

4. The Applicants shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the Applicants of Insurer.
5. For a period of two (2) years, Insurer shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, changes to the business of Insurer; employment levels; changes in officers or directors of Insurer; any changes in location of its operations in Connecticut; and charitable contributions.
6. Within fifteen (15) days following the end of the month in which the proposed acquisition is consummated, Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
7. If the proposed transaction is not consummated within three (3) months of the date of this Order and the Applicants intend to consummate the proposed transaction, the Applicants shall submit to the Commissioner a statement, which shall include (1) the reason for the Applicants' inability to consummate the proposed transaction; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicants and Insurer.
8. Under section 38a-136(i)(1) of the Connecticut General Statutes, namely, the post acquisition financial examination and market conduct examination provisions as they pertain to the change of control of Insurer are hereby waived.
9. Insurer shall not engage in any of the transactions prohibited by section 38a-136(i)(2) of the Connecticut General Statutes for the time period set forth in the statute, without the prior approval of the Insurance Commissioner.

10. Insurer shall, at all times, maintain its books and records in Connecticut pursuant to Connecticut law, unless otherwise approved by the Commissioner.

11. The Applicants shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 25th day of March, 2004.


Susan F. Cogswell
Insurance Commissioner

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Docket No.
EX 04-17

PROPOSED FINAL DECISION

I. INTRODUCTION

On December 23, 2003, The Prudential Insurance Company of America, a life insurance company organized under the laws of the State of New Jersey (“PICA”), filed an Application on Form A with the Connecticut Insurance Department (the “Department”) pursuant to section 38a-130 of the Connecticut General Statutes requesting approval by the Insurance Commissioner of the State of Connecticut (the “Commissioner” or “Insurance Commissioner”) for the proposed acquisition of control (the “Proposed Acquisition”) of CIGNA Life Insurance Company (the “Insurer”), a life insurance company organized under the laws of the State of Connecticut and an indirect wholly-owned subsidiary of CIGNA Corporation, a Delaware corporation and the ultimate parent

of the Insurer. An Amended Form A was filed with the Department on February 23, 2004 ("Form A Application"). Among other things, the Form A Application included Prudential Financial, Inc. ("PFI"), a New Jersey corporation and the ultimate parent of PICA, as an applicant. PICA and PFI are hereinafter referred to, collectively, as the "Applicants". Supplemental information was subsequently requested by the Department and provided by the Applicants. The proposed change of control would be effected pursuant to a Stock Purchase and Asset Transfer Agreement (the "Agreement") dated as of November 17, 2003 by and among CIGNA Corporation; Connecticut General Corporation, a Connecticut corporation and an indirect wholly-owned subsidiary of CIGNA Corporation ("Connecticut General"); Connecticut General Life Insurance Company, an insurance company organized under the laws of the State of Connecticut, a wholly-owned subsidiary of Connecticut General and the direct parent of the Insurer ("CGLIC"); CIGNA Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of CIGNA Corporation ("CIGNA Holdings"); and PFI.

On February 19, 2004, Insurance Commissioner Susan F. Cogswell ("Commissioner Cogswell") issued a notice of hearing, in which she ordered that a public hearing concerning the application for approval of the proposed acquisition of control of the Insurer be held on March 4, 2004. The hearing notice was subsequently published in The Hartford Courant each day from February 20, 2004 to March 2, 2004, inclusive. The notice of hearing was also filed by the Department with the Office of the Secretary of State on February 19, 2004 and was published on the Department's Internet website. The Applicants and the Insurer each waived their notice rights under section 38a-132 of the Connecticut General Statutes. On February 19, 2004, Commissioner Cogswell appointed

the undersigned to preside over the March 4, 2004 public hearing. Commissioner Cogswell was in attendance for substantially all of the March 4, 2004 public hearing. In accordance with section 38a-8-48 of the Regulations of the Connecticut State Agencies, the following were designated as parties to this proceeding: the Applicants.

The following individuals testified at the public hearing on behalf of the Applicants and the Insurer:

Scott G. Sleyster, President, Prudential Retirement;

Stephen Wieler, Esq., Chief Legal Officer, Prudential Retirement;

Mark Parsons, Esq., Vice President and Counsel of CGLIC and Chief Counsel for the Retirement & Investment Services division of CIGNA Corporation;

C. Edward Chaplin, Senior Vice President and Treasurer, Prudential Retirement;

James Yablecki, CIGNA Corporation; and

James O'Connor, Prudential Retirement.

Daniel L. FitzMaurice, Esq. and Sam S.F. Caligiuri, Esq., of Day, Berry & Howard LLP; and Chiahua Pan, Esq. of Sullivan & Cromwell, represented the Applicants. Robert J. Sullivan, Esq. of Skadden, Arps, Meagher & Flom LLP represented the Insurer.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments no later than the close of business on March 4, 2004, extended to March 18, 2004 by an Order dated March 10, 2004. No public officials or members of the public signed up to speak, spoke at the hearing, or submitted written testimony.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the testimony of the witnesses, the undersigned makes the following findings of fact:

1. PICA is a life insurance company organized under the laws of the State of New Jersey. PICA demutualized effective December 18, 2001 and is now a New Jersey stock life insurance company and a wholly-owned indirect subsidiary of PFI. PICA is also the wholly-owned direct subsidiary of Prudential Holdings LLP (“Prudential Holdings”), a limited liability company organized under the laws of the State of New Jersey, the sole member of which is PFI. PICA is the principal operating subsidiary of PFI. PFI is a publicly held corporation, whose shares are traded on the New York Stock Exchange. The principal offices of PFI and PICA are located at 751 Broad Street, Newark, New Jersey 07102.
2. The Insurer is a Connecticut domiciled insurance company. The Insurer’s principal office is located at 900 Cottage Grove Road, Bloomfield, Connecticut 06002. The Insurer is licensed in 49 states and the District of Columbia (other than New York, in which a license application is currently pending).
3. On November 17, 2003, CIGNA Corporation, Connecticut General, CGLIC, CIGNA Holdings and PFI entered into the Agreement. Pursuant to the Agreement, CIGNA Corporation agreed to transfer certain assets relating to the retirement business and operations (“Retirement Business”) conducted by its Retirement & Investment Services Division (“CIGNA Division”), excluding the investment management business, the corporate-owned life insurance business and certain other operations of the CIGNA Division, to the Insurer, and to sell the

Insurer to PFI. In accordance with Section 9.14 of the Agreement, PFI has assigned its right to purchase the stock of the Insurer to PICA. The Insurer will become a direct wholly-owned subsidiary of PICA. In addition, Prudential Retirement Financial Services Holding LLC, a single-member Delaware limited liability company owned directly by PFI, will acquire the stock of Global Portfolio Strategies, Inc., a registered investment advisor, and CIGNA Financial Services, Inc., a registered broker-dealer. Moreover, CIGNA's thrift subsidiary, CIGNA Bank & Trust Company, FSB, will merge with and into PFI's thrift subsidiary, The Prudential Savings Bank, FSB ("PSB"). PSB's name will change to Prudential Bank and Trust, FSB, effective upon Closing (as defined in the Agreement).

4. Administrative notice is taken that the Insurer is currently licensed pursuant to section 38a-41 of the Connecticut General Statutes for the following lines: accident and health, resinsurance, life non-participating, variable life non-participating, and variable annuities.
5. Prior to the sale of the Insurer's stock to PICA, CGLIC intends to pay a stock dividend to Connecticut General prior to the Closing, consisting of all the issued and outstanding common stock of the Insurer ("Stock Dividend"). This Stock Dividend is described in Form D No. 1, filed by CGLIC with the Department on January 21, 2004, and approved by the Department on February 26, 2004. Connecticut General will then sell the stock of the Insurer that it receives in the Stock Dividend to PICA.

6. Immediately prior to PICA's acquisition of the common stock of the Insurer, CGLIC will transfer to Connecticut General, as a second dividend, cash and investment assets with statutory carrying value equal to the Capitalization Amount (as defined in the Agreement) of \$840,000,000 in statutory carrying value plus an amount determined pursuant to Section 2.1(b) of the Agreement ("Cash Dividend"). This Cash Dividend is described in Form D No. 2, filed by CGLIC with the Department on January 21, 2004, and approved by the Department on February 26, 2004.
7. The Insurer and its affiliates will enter into a number of coinsurance and administrative services arrangements and other agreements with respect to the various assets and liabilities, including the insurance liabilities, to be transferred to the Insurer in connection with the Proposed Acquisition. Each such agreement has been the subject of a Form D filing of the CIGNA organization with the Department, as follows: (a) Form D No. 3 concerning the Coinsurance and Assumption Agreement and Administrative Services Agreement, dated January 21, 2004, and approved by the Department on February 26, 2004; (b) Form D No. 4 concerning the Ceded Business Trust Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (c) Form D No. 5 concerning the Excluded Business Coinsurance Agreement and Excluded Business Administrative Services Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (d) Form D No. 6 concerning the Registered Products Modified Coinsurance Agreement and Registered Products Administrative Services Agreement, dated January 21, 2004, and approved by the

Department on February 27, 2004; (e) Form D No. 7 concerning the Life Insurance Company of North America (“LINA”) Separate Account Modified Coinsurance Agreement and LINA Separate Account Administrative Services Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (f) Form D No. 8 concerning the Real Estate Separate Account Modified Coinsurance Agreement and Real Estate Separate Account Administrative Services Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (g) Form D No. 9 concerning the Guaranteed Cost Business Coinsurance and Assumption Agreement and Guaranteed Cost Business Administrative Services Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (h) Form D No. 10 concerning the Guaranteed Cost Business Trust Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (i) Form D No. 11 concerning the Master Assignment of Derivatives transactions, Master Assignment of Securities, Master Loan Sale, Participation and Servicing Agreement, and the Assignment and Assumption Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (j) Form D No. 12 concerning the Transition Services Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; (k) Form D No. 13 concerning the Trademark/Trade Name Licenses Agreement, dated January 21, 2004, and approved by the Department on February 27, 2004; and (l) Form D No. 14 concerning the Payment and Indemnification Agreement, dated February 20, 2004, and approved by the Department on February 27, 2004.

8. The total consideration to be paid by the Applicants for all acquisitions related to the transaction is \$2.1 billion in cash (subject to specified adjustments). The source of the consideration for the purchase of the Insurer is entirely PICA's cash on hand.
9. The nature and amount of the consideration was arrived through arms length negotiations between representatives of CIGNA and the Applicants, and their respective financial advisors. Both parties were represented by financial and legal advisers.
10. The Proposed Acquisition was approved by the boards of directors of CIGNA Corporation and various of its affiliates and PFI.
11. As of December 31, 2003, the Insurer had capital and surplus as follows:

Capital

\$2.5 million

Surplus

\$7.9 million

12. As of December 31, 2002 and December 31, 2003, PFI reported the following consolidated balance sheet and income statement accounts on a GAAP basis (millions):

	December 31, 2002	December 31, 2003
Assets	\$292,616	\$321,274
Liabilities	\$270,596	\$299,982
Stockholder's equity	\$21,330	\$21,292
Net income (loss)	\$194	\$1,264
Premiums revenue	\$13,053	\$13,233

13. As of December 31, 2002 and December 31, 2003, PICA reported the following balance sheet and income statement accounts on a statutory basis (millions):

	December 31, 2002	December 31, 2003
Assets (includes separate accounts)	\$186,612	\$194,966
Liabilities (includes separate accounts)	\$180,913	\$187,495
Capital & Surplus	\$5,699	\$7,471
Net income (loss)	(\$489)	\$1,231
Premiums	\$16,218	\$13,859

14. PFI's principal subsidiary is PICA, which is the primary entity through which PFI conducts its life insurance operations. PICA has been engaged in the life insurance business for over 125 years.

For the year ended December 31, 2002, PFI, through its life insurance companies, was the second largest life insurer in the United States (life and group combined) based on net premiums written and assets, according to A.M. Best ("Best's"). Based on assets under management, PFI was the tenth largest institutional asset manager worldwide at December 31, 2002. PFI was also ranked highly in various other asset classes, including fourth largest manager of U.S. commercial mortgages, seventh largest manager of U.S. real estate equity, and tenth largest manager of active U.S. fixed income securities. Outside of its home market in the United States, the Applicants and their affiliates currently conduct insurance activities and offer financial services in more than thirty countries.

PFI's group of companies serve individual and institutional customers

worldwide and offer a variety of products and services, including life insurance, mutual funds, annuities, pension and retirement related services and administration, asset management, securities brokerage, real estate brokerage franchises and relocation services. For the year 2002, PFI ranked fifty-seventh on the Fortune 500 List of America's largest companies.

As of September 30, 2003, PFI had \$421 billion in assets under management, including assets in its general account and separate accounts, and other assets managed for retail and institutional customers, such as mutual funds and wrap-fee products. PFI and its subsidiaries had \$1.8 trillion of life insurance in force worldwide as of December 31, 2002. On a consolidated basis, PFI reported net income of \$307 million for the third quarter of 2003 and \$302 million for the year-ago quarter, and reported net income of \$699 million for the first nine months of 2003 and \$387 million for the first nine months of 2002.

15. The Applicants are in the process of instituting a master integration plan with the management of the Insurer, based in part upon its experience in developing integration plans with respect to prior acquisitions. It is expected that the majority of the integration process will be completed by the end of 2004, with the entire integration process expected to be completed within approximately two years after the Closing.
16. The Applicants expect to change the name of the Insurer from "CIGNA Life Insurance Company" to "Prudential Retirement Insurance and Annuity Company" no later than 60 days following the Closing, subject to the Department's approval.

17. The Applicants expect that, immediately following the Closing, the Insurer will continue its current operations in its present corporate form as part of the Applicants' North American insurance activities. Following the Closing, the Business will become part of Prudential's Investment Division and operate under the Prudential Retirement brand.
18. The Applicants are not currently requesting approval for an extraordinary dividend or other distribution. At such time as the Applicants determine to have the Insurer declare an extraordinary dividend, the Insurer will make the appropriate application to the Department. The Applicants have no plans or proposals to liquidate the Insurer, sell its assets or merge it with any person or persons, or to make any other material change in the Insurer's business operations, corporate structure or management or to cause the Insurer to enter into material contracts, agreements, arrangements, understandings or transactions of any kind with any party, other than certain customary inter-affiliate agreements for the provision of specified services subject to Connecticut's Insurance Holding Company Act, section 38a-129 of the Connecticut General Statutes *et seq.*
19. The Applicants currently have no plans for the Insurer to withdraw from writing any lines of business or substantially reduce writings in any lines of business in Connecticut or nationwide, or to discontinue products presently offered by the Business, or plans or proposals (including change of ownership or control) for any of the affiliates of the Applicants or the Insurer, which may have a material effect on the Insurer.

20. The proposed directors of the Insurer following the Proposed Acquisition are John Kim, Scott Sleyster, David Castellani, James O'Connor and Michael Zarelli. The proposed officers of the Insurer following the Proposed Acquisition are: John Kim, Scott Sleyster, David Castellani, James O'Connor, Michael Zarelli, Helen Frye, John Kalamarides, George Waldeck, Douglas Russell, David Musto, Molley Garrett, Victor Saliterman, Medina Jett, Kevin Lalor, Paul Chong, Frank Lomedico, Robert Tyndall, and Stephen Wieler.
21. The directors of the Applicants are (each person serves as a director of both PFI and PICA) Franklin Agnew, Frederic Becker, Gilbert Casellas, James Cullen, William Gray III, Jon Hanson, Glen Hiner, Constance Horner, Arthur F. Ryan, Ida Schmertz, Richard Thomson, James Unruh, and Stanley Van Ness. The officers of the Applicants are:

Arthur F. Ryan	Chairman, Chief Executive Officer and President, PFI and PICA
James J. Avery, Jr.	Senior Vice President, PICA
Edward P. Baird	Senior Vice President, PICA
Vivian Banta	Vice Chairman, PFI, and Chief Executive Officer, Insurance Division, PICA
Richard J. Carbone	Senior Vice President and Chief Financial Officer, PFI and PICA
Thomas J. Carroll	Senior Vice President and Chief Auditor, PFI and PICA
C. Edward Chaplin	Senior Vice President and Treasurer, PFI and PICA
Edward R. Durant	Senior Vice President, Investor Relations, PFI, and Senior Vice President, PICA

Helen M. Galt	Vice President and Company Actuary, PICA
Kathleen M. Gibson	Vice President and Secretary, PFI and PICA
Robert C. Golden	Executive Vice President, PFI and PICA
John W. Green, Jr.	Senior Vice President, PICA
Mark B. Grier	Vice Chairman, PFI, and Vice Chairman, Financial Management, PICA
George C. Hanley	Senior Vice President, Compliance, PFI, and Senior Vice President, PICA
Michael J. Hines	Senior Vice President, PICA
Ronald P. Joelson	Senior Vice President, Asset/Liability and Risk Management, PFI, and Senior Vice President, PICA
Rodger A. Lawson	Vice Chairman, PFI
Joyce R. Leibowitz	Senior Vice President, PICA
John M. Liftin	Senior Vice President and General Counsel, PFI and PICA
Priscilla A. Myers	Senior Vice President, PICA
David R. Odenath	Senior Vice President, PICA
Anthony Piszal	Senior Vice President and Controller, PFI and PICA
Scott G. Sleyster	Senior Vice President, PICA
James C. Spackman	Executive Vice President, PFI
John R. Strangfeld, Jr.	Vice Chairman, PFI
Sharon C. Taylor	Senior Vice President, Corporate Human Resources, PFI, Senior Vice President, PICA

22. The biographical affidavits of the officers and directors of the Applicants and the proposed officers and directors of the Insurer following the Proposed Acquisition,

which include each individual's educational background, professional credentials, and employment history, are included in the record.

23. Mr. Sleyster testified that the books and records of the Insurer will be maintained in Connecticut pursuant to Connecticut law.
24. The direct premiums written in Connecticut for the Group Deposit-Type Funds line of business of the Insurer (after giving effect to the transfer of business by CIGNA into the Insurer) was \$1.8 billion, for a market share of 39.21%, while the Prudential group had \$5.1 million in direct premiums and a market share of 0.11%. The top insurer for Group Deposit-Type Funds was the Insurer (after giving effect to the transfer of business by CIGNA into the Insurer).
25. Because the acquired business consists primarily of group annuities, and because the Prudential group records group annuity considerations under "Group Other Considerations" while CIGNA and its affiliates record group annuity considerations under "Group Deposit-Type Funds", an analysis was also done aggregating premiums and other considerations in Connecticut recorded under "Group Annuity", "Group Other Considerations" and "Group Deposit-Type Funds". For the aggregated Group Annuity line of business, after giving effect to the transfer of business by CIGNA into the Insurer, the Insurer had \$3.8 million in direct premiums written in Connecticut in 2002, for a market share of 0.25%, while the Prudential group had \$117 million and a market share of 7.63%. The top insurer for Group Annuity in that period was ING Group, with \$518.5 million in direct premiums written and a market share of 33.82%.

26. The Applicants also provided the Department with a competitive impact analysis based on the Herfindahl-Hirschman Index (“HHI”) used by the U.S. Department of Justice (“DOJ”) in its Horizontal Merger Guidelines, which analysis is part of the record. For Group Annuity, Group Deposit-Type Funds, and Group and Individual Other Considerations combined (in which lines the Insurer did not write any business), based on 2002 premium levels, the Proposed Acquisition would lower the market HHI score from 1800 to 1524, which indicates a decrease in market concentration after the acquisition. Also, according to the Horizontal Merger Guidelines, an increase of HHI of 100 or less would indicate that an acquisition is unlikely to have an adverse competitive impact.
27. The waiting period required by the Hart-Scott-Rodino Anti-Trust Improvement Act of 1976 in connection with the Proposed Acquisition expired on February 9, 2004 .
28. As of February 23, 2004, PFI has been assigned the following senior debt ratings: A- (Standard & Poor’s), A3 (Moody’s), A (Fitch) and A- (Best’s). As of that date, the following senior debt ratings have been assigned to PICA: A+ (Standard & Poor’s) and A2 (Moody’s). In addition, PICA has been assigned the following claims payment or financial strength ratings: A+ (Standard & Poor’s), A1 (Moody’s), AA- (Fitch) and A+ (Best’s). Standard & Poor’s, Moody’s, A.M. Best and Fitch have each indicated to PICA that they view favorably the Proposed Acquisition and affirmed PICA’s current ratings upon the announcement of the acquisition.

29. The Insurer has been assigned a rating by Best's of A-. The Insurer has no other rating. Following the Closing, the Applicants will seek to have the Insurer rated by other agencies. The Applicants expect that the Insurer will have the same ratings as PICA.
30. On March 2, 2004, John R. Strangfeld, Jr., Vice Chairman of the Applicants, filed a letter with the Insurance Commissioner ("the Commitment Letter") which acknowledged that, in reviewing the Form A Application, the Insurance Commissioner has an obligation to ensure that the Proposed Acquisition is in the public interest, namely, the interest of the citizens of the State of Connecticut. The purpose of the Commitment Letter was to provide the Insurance Commissioner with the Applicants' formal commitments to the State of Connecticut and the people of the State of Connecticut after the acquisition of the Insurer.
31. PFI and its affiliates (including American Skandia Life Insurance Company since 2003) have a significant economic presence in Connecticut. In Connecticut alone, PFI and its affiliates had 189,867 policies in force as of the end of 2003, representing \$5.6 billion in insurance coverage. For that year in Connecticut, PFI and its affiliates paid a total of \$304.5 million in benefits and \$42.5 million in policyholder dividends. For 2002, PFI and its affiliates paid \$3.6 million in taxes in Connecticut. Prudential Capital Group, which provides private capital to a wide range of public and private companies, has arranged private financing totaling \$745 million for Connecticut-based clients. Prudential Mortgage Capital Company, a full service provider of commercial mortgages, manages over \$200

million of commercial loans for property in Connecticut. Furthermore, the continued presence of the Retirement Business in Connecticut should allow for a continuation of comparable levels of corporate tax revenues related to the CIGNA retirement business as projected by CIGNA in the absence of the Proposed Acquisition.

32. Pursuant to the Commitment Letter and the testimony of Mr. Sleyster, Applicants agree that the Insurer will continue to be a Connecticut-domiciled insurance company subject to the continuing supervision of the Department.
33. Pursuant to the Commitment Letter and the testimony of Mr. Sleyster, Applicants agree that the principal offices of the Insurer will be located at 280 Trumbull Street, Hartford, Connecticut, where there will continue to be a meaningful executive presence and where significant operational activities will continue to be maintained. The Applicants have no plan or intention to change the level of executive presence in Hartford for the foreseeable future. Furthermore, PFI has committed to retaining and occupying the Insurer's leased offices in Hartford, Connecticut through 2007. Related to the Proposed Acquisition, CIGNA Bank & Trust Company, FSB, having a single business office at 280 Trumbull Street in Hartford, will be merged with and into The Prudential Savings Bank, FSB ("PSB"), and the resulting institution will be called "Prudential Bank & Trust, FSB". The Applicants agree to move the home office of PSB from Atlanta, Georgia to Hartford.

34. Pursuant to the Commitment Letter, the Applicants agree that current executives with CIGNA's Retirement Business who will join the combined retirement business will continue to be located in Connecticut. The executive positions located in Connecticut will include the leaders of the following functions: Sales and Client Relations; Client Services; Product and Advisory Services; Retail Segment; Direct Segment; Advisor Segment; Multi-Employer/Public/Non-Profit Segment; and Human Resources. The Connecticut based jobs following the acquisition are expected to continue to represent a cross-section of executive, professional, middle management and other positions.
35. Pursuant to the Commitment Letter and the testimony of Mr. Sleyster, the Applicants expect that approximately 600 of the approximately 800 current CIGNA Retirement jobs that are presently in Connecticut, or 75%, will remain in Connecticut at the end of a 12 - 18 month integration period. The Applicants anticipate that approximately 30% of the projected workforce reductions will be due to voluntary attrition.
36. According to testimony by Mr. Parsons, CIGNA employees that are not acquired by the Applicants and lose their positions as a result of the acquisition will be eligible for benefits under a CIGNA severance program and will receive at least 90 days advance notice of the elimination of their position.
37. Pursuant to the Commitment Letter and the testimony of Mr. Sleyster, after the Closing, all CIGNA Retirement employees to be employed by the Applicants will be eligible to apply for all jobs posted on the Applicants' internal employment

posting system (whether or not such jobs are actually related to Prudential Retirement) on the same basis as employees of the Applicants or their affiliates. In the event that CIGNA Retirement employees are separated from service with the combined organization after the Closing, severance packages will be provided to the affected CIGNA Retirement employees. Severance packages will be consistent with the provisions of PFI's Severance Plan, an employee benefit plan subject to the requirements and protections of ERISA. The severance benefit payments will be calculated, to the degree applicable, to take into account service with CIGNA as service with PFI or its affiliates, and former CIGNA employees will be treated under such Plan on the same basis and subject to the same requirements as similarly-situated Prudential employees. Finally, consistent with PFI's severance practices, outplacement services and subsidized COBRA payments will be offered to any such separated CIGNA Retirement employee after the Closing, also on the same basis and subject to the same requirements as similarly-situated Prudential employees. In addition to the specific severance-related benefits described above, after the Closing, the Applicants will provide to CIGNA employees transferred to the Applicants and their affiliates the opportunity to participate in PFI's employee benefit plans and programs on the same terms, and on the same basis, as similarly-situated employees of PFI and its affiliates. Further, except in order to avoid duplication of certain benefits, PFI will credit service with CIGNA for purposes of eligibility and vesting under any employee benefit plans, programs or arrangements maintained by PFI or its affiliates.

38. Pursuant to the Commitment Letter and the testimony of Mr. Sleyster, the Applicants have been active in charitable giving and philanthropic and community endeavors in Connecticut. During the last five years, the Applicants' charitable financial commitment to Connecticut has included a social investment portfolio totaling \$4.7 million; The Prudential Foundation grants totaling \$438,500; employee matching gifts from The Prudential Foundation to Connecticut-based organizations totaling \$914,000; and direct corporate contributions from PFI totaling \$294,555. In addition, Prudential employees in Connecticut have actively volunteered in the communities in which they work and live. For example, Prudential's Global Volunteer Day, which involves community efforts across the United States and abroad, has included local projects in Ansonia, Avon, Darien, Southington and Stamford during the last five years. These projects have addressed a wide array of needs, including additional support to local women's shelters, youth camps, and low-income programs. PFI has also promoted volunteerism in Connecticut through its national Spirit of Community program that honors outstanding community service by young people. Each year, two young Connecticut volunteers, along with representatives from every state, are recognized for their achievements.
39. Pursuant to the Commitment Letter and the testimony of Mr. Sleyster, upon the Closing, PFI intends to increase its charitable giving in Connecticut on a par with other business locations of similar size and need. The retirement business expects to contribute an additional \$150,000 each year in Connecticut for the foreseeable future. In addition, PFI plans to designate Hartford as one of 11 "cities of

interest” for social investment opportunities. Each year, Prudential allocates \$50 million nationwide for social investments in these cities. Moreover, The Prudential Foundation makes significant grants in communities where Prudential has operations. These grants are based on the Foundation’s funding guidelines, which generally include support for educational and community development programs. Other Prudential resources will be made available to the community under the company’s established Matching Gifts, Pru CARES Volunteer Incentive Grants, and Global Volunteer Day programs.

III. DISCUSSION

Section 38a-132(b) of the Connecticut General Statutes specifically requires the approval of the proposed acquisition of control of Insurer unless it is determined that:

- (A) After the change of control, Insurer would not be able to satisfy the requirements for the issuance of a license to write the lines of business for which it is presently licensed;
- (B) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut;
- (C) The financial condition of the acquiring party is such as might jeopardize the financial stability of Insurer or prejudice the interests of its policyholders;
- (D) The plans or proposals which the acquiring party has to liquidate the Insurer, sell its assets or consolidate or merge it with any person, or make any other material change in its business or corporate structure or

management, are unfair and unreasonable to policyholders of Insurer and not in the public interest;

(E) The competence, experience and integrity of those persons who would control the operation of Insurer are such that it would not be in the interest of the policyholders of Insurer and of the public to permit the merger or other acquisition of control; or

(F) The acquisition of control of Insurer is likely to be hazardous or prejudicial to those buying insurance.

A. The ability of the Insurer to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed following the proposed acquisition of control.

Insurer is currently licensed pursuant to section 38a-41 of the Connecticut General Statutes for accident and health, life non-participating, variable life non-participating, variable annuities and reinsurance. Sections 38a-72(a) and (b) of the Connecticut General Statutes require that a domestic stock life and health insurance company writing those lines must have a minimum of \$1.0 million in capital and \$2.0 million in paid-in surplus in the aggregate. Insurer currently satisfies the requirements for the issuance of a license to write the lines of business for which it is licensed.

As of December 31, 2003, Insurer had capital and surplus exceeding the minimum requirements necessary for the issuance of a license to write the lines of business for which it is currently licensed as follows:

<u>Capital</u>	<u>Surplus</u>
\$2.5 million	\$7.9 million

Other than a contribution of cash and investment assets by certain CIGNA affiliates to the Insurer prior to closing, it is not anticipated that the capital and surplus

levels of the Insurer will be significantly affected by the transaction. Mr. Chaplin testified at the Hearing that Prudential intends to capitalize the Insurer as needed, in a manner that will meet or exceed the risk-based capital requirements of Connecticut. In fact, Mr. Sleyster testified at the Hearing that it expects the Insurer's current Best's rating of A- to be upgraded to an A+ after the closing.

Mr. Wieler testified that prior to the closing, the Insurer "will undergo a restructuring of its retirement business". The "restructuring will include transferring the assets and liabilities related to CIGNA's Retirement Business to CIGNA Life. The liabilities will be transferred by way of a number of co-insurance agreements . . . ". Other than the internal transfer of CIGNA's retirement business from multiple CIGNA companies to Insurer during a restructuring, and the reinsurance and administrative agreements associated therewith as previously disclosed in the Findings of Fact, and certain customary post-acquisition inter-affiliate agreements subject to Connecticut law, there are no plans for Insurer to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity. The Applicants have no future plans that would materially alter or change the financial condition of the Insurer and jeopardize the ability to satisfy the requirements of section 38a-72 of the Connecticut General Statutes, as they apply to the lines of business for which the Insurer is currently licensed. In fact, Mr. Sleyster testified at the Hearing that "Prudential views the CIGNA Life operations as an expanding business and will make every reasonable provision for the continued growth and profitability of this business."

In addition to the criteria set forth in section 38a-72 of the Connecticut General Statutes, the Insurance Department considers the following criteria when evaluating an

insurance company's ability to maintain a license issued pursuant to section 38a-41 of the Connecticut General Statutes to write insurance in Connecticut: (1) the location of the company's books, records and assets; (2) whether there is a reasonable relationship of the company's surplus funds to liabilities based on the type, volume and nature of insurance business transacted; (3) the management of the company; and (4) whether the company's risk-based capital as related to total adjusted capital is adequate for the types of business transacted.

The books and records of Insurer are currently located in Connecticut. According to the record, Mr. Sleyster's testimony, and the Commitment Letter, the Insurer's books and records will remain in Connecticut following the consummation of the proposed transaction. Mr. Sleyster also testified that there will be no change in the custodian of assets without first obtaining prior regulatory approval.

Testimony from Mr. Sleyster confirmed that the Applicants will keep Insurer adequately capitalized pursuant to Risk Based Capital requirements. In addition, he confirmed that the surplus funds of Insurer will continue to bear a reasonable relationship to its liabilities based on the type, volume and nature of the insurance transactions. The record indicates that prior to the proposed acquisition, CIGNA intends to contribute cash and investment assets with a statutory carrying value of approximately of \$925 million, subject to adjustments, to the Insurer, thus significantly increasing the total surplus of the Insurer.

Furthermore, Insurer's risk-based capital ("RBC") as it relates to its total adjusted capital will be adequate for the business conducted and will compare favorably to similar

companies in Connecticut. During the hearing, Mr. Sleyster and Mr. Chaplin testified that the Applicants intend to maintain Insurer at or above the required RBC ratio.

Accordingly, it is the conclusion of the Insurance Department that the evidence contained in the record supports a finding that Insurer will be able to continue to satisfy the requirements for the issuance of the necessary license to write the lines of business for which it is presently licensed following the proposed acquisition of control of the Insurer.

B. The effect of the proposed acquisition of control on competition in Connecticut.

On January 9, 2004, Applicants filed an application with the Federal Trade Commission (“FTC”) and the Antitrust Division of the Department of Justice (“DOJ”), as required by the Hart-Scott-Rodino Antitrust Improvement Act (“Act”), 15 U.S.C. §18. Under the Act and implementing regulations, 16 C.F. R. Part 801 et seq., proposed acquisitions of stock or assets having a market value in excess of \$15 million by a company having annual net sales or total assets of \$100 million or more must, with certain exceptions, be reported to the DOJ and the FTC. Accordingly, the proposed acquisition of Insurer by the Applicants may not be consummated unless the waiting periods prescribed by the Act have either been shortened by the enforcement agencies or expired without government action. On February 9, 2004 the applicable waiting period expired. Based on the inaction of the FTC, an inference is drawn that there was no finding that the proposed acquisition by Applicants of Insurer would substantially lessen competition or create a monopoly.

The Applicants provided an analysis based on the HHI scores used by the DOJ in its Horizontal Merger Guidelines. The DOJ considers an HHI score between 1,000 and

1,800 to be moderately concentrated, and the analysis shows that the merger would lower the HHI score from 1800 down to 1525, thereby decreasing market concentration and increasing competition.

Based on the outcome of the Hart-Scott-Rodino filing, the review of the market share information submitted by the Applicants, and the HHI score index, it is concluded that the effect of the acquisition of control of Insurer will not substantially lessen competition of insurance or tend to create a monopoly in Connecticut.

C. The financial condition of the Applicants.

As of December 31, 2002 and December 31, 2003, PFI reported the following consolidated balance sheet and income statement accounts on a GAAP basis (millions):

	December 31, 2002	December 31, 2003
Assets	\$292,616	\$321,274
Liabilities	270,596	299,982
Net Income (loss)	194	1,264

As of December 31, 2002 and December 31, 2003, PICA reported the following balance sheet and income statement accounts on a statutory basis (millions):

	December 31, 2002	December 31, 2003
Assets	\$186,612	\$194,966
Liabilities	180,913	187,495
Net Income (loss)	(489)	1,231

Furthermore, PFI had shareholders' equity of approximately \$21,292 million as of December 31, 2003. PICA had capital and surplus of approximately \$7,471 million as of December 31, 2003. PICA has been engaged in the life insurance business for over 125 years. Its senior debt ratings are: A- (Standard & Poor's) and A2 (Moody's). It has been

assigned the following claims payment or financial strength ratings: A+ (Standard & Poor's), A1 (Moody's), AA- (Fitch) and A+ (Best's). PFI has been assigned the following senior debt ratings: A- (Standard & Poor's), A3 (Moody's), A (Fitch) and A- (Best's).

The Applicants' financial statements also attest to their financial strength. In addition, there is no evidence contained in the record of this proceeding that indicates that the financial condition of the Applicants is such that might jeopardize the financial condition of Insurer, or prejudice the interest of the policyholders. In summary, the Applicants' financial condition is such that they will not jeopardize the financial stability of Insurer or prejudice the interests of policyholders.

D. Plans or Proposals for the Connecticut Insurers.

Mr. Sleyster testified that the Applicants "are not currently requesting approval for an extraordinary dividend or other distribution." The record reveals that the Applicants have no plans or proposals to liquidate Insurer, to sell its assets or to consolidate or merge it with any other entity. The Applicants intend to change the name of Insurer to Prudential Retirement Insurance and Annuity Company.

The biographical affidavits submitted by the Applicants indicate that the post-closing management of the Insurer will be comprised of individuals with considerable experience in the insurance industry. Insurer will continue to be led by Mr. John Kim, the current president of CIGNA's retirement business. Additionally, substantially all of the current employees of CIGNA's retirement organization will become employees of the Applicants after the closing. In fact, Mr. Sleyster testified at the Hearing that the

Applicants “believe that the CIGNA Life employment level in Connecticut will be greater than it would have been without the acquisition by [the Applicants].”

According to the Stock Purchase and Asset Transfer Agreement included with the Form A Application, for the jobs that are being transferred to the Applicants as part of the acquisition, the Applicants will provide employment to individuals “(i) in the same or comparable positions; (ii) in the same locations; (iii) at the same or better base salary rate,” as were provided by Insurer prior to the closing. The Applicants will also provide the transferred employees with the opportunity to participate in the Applicants’ compensation and bonus plans on the same terms as those provided to similarly situated employees of the Applicants and with the same employee benefits. This will include full credit for purposes of eligibility and vesting under employee benefit plans, programs and arrangements maintained by the Applicants. Additionally, according to the Agreement, the Applicants will “waive all limitations as to preexisting conditions exclusions and waiting periods with respect to participation and coverage requirements” with respect to assumed CIGNA employees.

The Applicants have no plans to discontinue any lines of business or significantly eliminate products currently offered by the Insurer. In fact, the record shows that the Applicants expect the acquisition to be transparent to all CIGNA contract holders until such time as contracts may be novated to the Applicants as permitted by applicable law.

The Insurer and CIGNA’s retirement business are an important part of the fabric of Connecticut. The Applicants have made certain specific commitments related to the public interest of the State of Connecticut and the Hartford community. Those commitments are, in part, (1) to replace the prominent CIGNA signs on the building at

Trumbull Street with equally prominent signs representing Prudential; (2) that the principle offices of the Insurer will remain in Hartford and Insurer will continue to maintain a meaningful executive presence and significant operational activities in Hartford; (3) Insurer will continue to be a Connecticut-domiciled insurance company; (4) books and records for Insurer will be maintained in Connecticut; (5) Applicants have committed to retaining and occupying the CIGNA retirement leased offices in Hartford through 2007; (6) upon the consummation of the proposed transaction, the Applicants will relocate the headquarters of Prudential Bank & Trust, FSB from Georgia to Hartford; and (7) the Applicants will maintain and expect to increase their level of charitable giving in Connecticut.

Accordingly, the record supports the conclusion that there are no plans or proposals for Insurer that are unfair and unreasonable to policyholders of Insurer or which are not in the public interest.

E. The competence, experience and integrity of those persons who would control the operations of the Insurer.

The record includes the biographical affidavits of those individuals who will serve as the directors and officers of Insurer following the proposed acquisition of control. Said affidavits disclose each individuals educational background, professional credentials and their employment history. In addition, the Applicants have represented, and the biographical affidavits confirm, that during the last ten years, none of the proposed directors or officers of Insurer (1) have been convicted in a criminal proceeding (excluding minor traffic violations); (2) have been the subject of any proceeding under the Federal Bankruptcy Code, (or in the case of an alien person, such equivalent provision as applicable) or have been affiliated with a business or organization which has

been subject to such proceeding; and (3) have been enjoined from violating any federal or state law regulating the business of insurance securities or banking, (or in the case of an alien person, such equivalent provision as applicable). Furthermore, no proposed director or executive officer of Insurer has had a revocation, suspension or disciplinary proceedings brought against him or her by a governmental agency.

None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals. To the contrary, as Mr. Sleyster testified, each of these individuals are “experienced professionals in the insurance industry with proven track records of competence and integrity.” This competence is further demonstrated by the strong financial position of the Applicants and the CIGNA retirement business.

The record also reflects that the Applicants have great experience in the financial services area generally, and insurance specifically. For the year ended December 31, 2002, PFI, through its life insurance companies, was the second largest life insurer in the United States based on net premiums written and assets. It was also the tenth largest institutional asset manager worldwide at December 31, 2002. It is also considered the fourth largest manager of U.S. Commercial mortgages, seventh largest manager of U.S. real estate equity, and tenth largest manager of active U.S. fixed income securities.

Accordingly, it is concluded that the competence, experience and integrity of those persons who would control the operations of the Insurer are such that the proposed change of control would be in the interests of policyholders and the public interest.

F. The effect of the proposed Acquisition of Control of the Insurer on those buying insurance.

The Applicants have stated that the combination of business of the CIGNA retirement business with Prudential's retirement business will result in "expanded operational, marketing and service capabilities" that "will offer significant advantages to policyholders of CIGNA Life, policyholders of Prudential Insurance and the insurance-buying public by permitting a broader range of services to be made available for clients including, in particular, full-service defined benefit administration, total retirement outsourcing solutions and actuarial and advisory consulting services." The acquisition will also combine the Insurer's well-developed use of benefits consultants with the Applicants' current use of retail advice-based services.

Additionally, Connecticut consumers of insurance will benefit from having access to a company that offers diverse financial services with a strong and sound operating foundation. Insurer and consumers will also benefit from the Applicants' solid capital base that will add to the security of their investments and insurance products. Mr. Sleyster testified that the Applicants have "no plans for CIGNA Life to withdraw from writing any lines of business or substantially reduce writings in any lines of business in Connecticut or nationwide." They also "do not intend to change the current distribution system" of CIGNA's retirement business.

Further, section 38a-8-103 of the Regulations of Connecticut State Agencies sets forth the Standards of Hazardous Financial Condition. Those standards, either singularly or in combination of two or more, may be considered by the Insurance Commissioner to determine whether the continued operations of any insurer transacting an insurance

business in this state might be deemed hazardous to the policyholders, creditors, or the general public. Of the sixteen standards set forth in the regulation, none apply to Insurer, and the proposed acquisition of control of Insurer should have no impact on those standards.

Accordingly, assuming compliance with all of Connecticut's statutes and regulations, it is reasonable to conclude that the proposed acquisition of control of Insurer is not likely to be hazardous to those buying insurance.

IV. CONCLUSION AND RECOMMENDATION

Based on the foregoing findings of fact and discussion, the record of the March 4, 2004 public hearing that was held open until the end of business on March 18, 2004, and the recommendation of the Insurance Department staff, the undersigned concludes that the Applicants have satisfied the statutory criteria as provided in section 38a-132(b) of the Connecticut General Statutes. Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to section 38a-132(b) of the Connecticut General Statutes that after the proposed acquisition of control (a) the Insurer will be able to satisfy the requirements for the issuance of a license; (b) the effect of the acquisition of control will not be to substantially lessen competition in this state or tend to create a monopoly therein; (c) the financial condition of the Applicants are not such as might jeopardize the financial stability of Insurer, or prejudice the interest of their policyholders; (d) the plans or proposals for Insurer are not unfair and unreasonable to their policyholders, and are in the public interest; (e) the competence, experience and integrity of the management of the Applicants is such that it would be in the interest of policyholders of Insurer, and of the

public to permit the proposed acquisition of control; and (f) the acquisition of control of Insurer is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends the following orders:

1. The Form A Application of the Applicants in which they seek approval to acquire control of Insurer is hereby approved.
2. The Applicants and Insurer shall comply with their commitments as set forth in the Proposed Final Decision and their letter dated March 2, 2004 to the Insurance Commissioner.
3. The Applicants shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the Applicants of Insurer.
4. For a period of two (2) years, Insurer shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, changes to the business of Insurer; employment levels; changes in officers or directors of Insurer; any changes in location of its operations in Connecticut; and charitable contributions.
5. Within fifteen (15) days following the end of the month in which the proposed acquisition is consummated, Insurer shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
6. If the proposed transaction is not consummated within three (3) months of the date of this Order and the Applicants intend to consummate the proposed transaction, the Applicants shall submit to the Commissioner a statement, which shall include (1) the

reason for the Applicants' inability to consummate the proposed transaction; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicants and Insurer.


7. Under section 38a-136(i)(1) of the Connecticut General Statutes, namely, the post acquisition financial examination and market conduct examination provisions as they pertain to the change of control of Insurer are hereby waived.

8. Insurer shall not engage in any of the transactions prohibited by section 38a-136(i)(2) of the Connecticut General Statutes for the time period set forth in the statute, without the prior approval of the Insurance Commissioner.

9. Insurer shall, at all times, maintain its books and records in Connecticut pursuant to Connecticut law, unless otherwise approved by the Commissioner.

10. The Applicants shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 22nd day of March, 2004.



Louis J. Scotti, Hearing Officer